SASKATCHEWAN GOVERNMENT GROWTH FUND VII LTD.

2003 Annual Report

Creating economic wealth and diversification through investment

of immigrant investor capital in Saskatchewan

INDEX

Fund Profile 1

Message to Investors 2

Investment Profiles 3

Management Discussion and Analysis 5

Management's Responsibility for Financial Reporting 9

Auditors' Report 10

Consolidated Financial Statements 11

Five Year Financial Summary 23

Corporate Information 24

FUND PROFILE

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- The Fund incurred a loss of $728,000 in 2003 and has an accumulated deficit at December 31, 2003 of $1.4 million.
- Since SGGF VII's inception in 1999, investments made by the Fund total $18.6 million, of which $13.1 million has been invested in infrastructure loans and $5.5 million has been invested in small and medium-sized enterprises.
- Income from investments for the year was $1.2 million, compared with $905,000 in 2002.

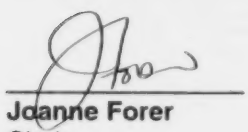
MESSAGE TO INVESTORS

The priorities of Saskatchewan Government Growth Fund VII Ltd. in 2003 were the completion of investment of investors' subscriptions in eligible businesses and the support of investees in the development of their businesses. These objectives were achieved during the year, and the subscriptions of all investors have been invested in eligible businesses in accordance with the regulations of the federal immigrant investor program.

In view of the availability of investments to satisfy these regulations, the Fund advised subscribers in October 2003 that final payments on subscriptions were payable in full. As a result, the Fund has now been closed to deposits. This decision provides greater assurance that investors' subscriptions will be invested in eligible businesses for the five year period required by the regulations.

The Fund incurred a loss of $728,000 in 2003, primarily as a result of provisions made for possible future losses on investments in small and medium-sized enterprises. Also, the low interest rate environment has had a negative effect on returns available from portfolio investments and infrastructure loans. In this environment, it is difficult to earn sufficient investment income to cover the costs of interest on Note obligations to investors and the costs of managing the Fund. The accumulated deficit of the Fund is $1.4 million at December 31, 2003.

During 2004, the priority of SGGF VII will be to support investees in the development of their businesses. The Fund will explore opportunities to improve returns over the period leading up to the maturity of investor Notes, while at the same time taking a cautious approach to credit risk.



Joanne Forer
Chair

Alan M. Rowe
President

February 25, 2004

INVESTMENT PROFILES

The following are profiles of investments held by SGGF VII during 2003, including the principal amount invested at December 31, 2003 and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

CrownAg International Inc. (November 2001)
$896,240 loan; $381,273 convertible preferred shares

CrownAg International has developed proprietary colour sorting technology for pulse crops. The company operates a processing plant in Regina.

EMCS – Electronic Media Carrier Services Inc. (February 2002)
$123,012 loan

EMCS was a Saskatoon-based high-speed internet service provider to small and medium sized businesses in central Saskatchewan. The company utilized cable and wireless technologies. The company ceased operations in 2003 and no further recovery is expected on the investment.

Harman Poultry Farm Ltd. (September 2002)
$179,894 loan

Harman Poultry is the largest producer of eggs in Saskatchewan. The company has operations near Regina and Prince Albert, Saskatchewan.

Mid-Sask Terminal Ltd. (May 2003)
$1,000,862 loan

Mid-Sask Terminal Ltd. operates a high-throughput inland grain terminal in Watrous, Saskatchewan.

Nu-Fab Burton Limited Partnership (June 2001)
$390,641 loan; $225,000 partnership units

Nu-Fab Burton Limited Partnership was formed in 2002 through the merger of Burton Cabinets, in which SGGF VII previously had an investment, and Nu-Fab Building Products. Burton Cabinets is a Saskatoon-based custom cabinet and millwork manufacturer. Nu-Fab Building Products is a supplier of building products and pre-fabricated residential housing with operations in Regina and Saskatoon. SGGF VII acquired a partnership interest and advanced additional funds on the merger.

INVESTMENT PROFILES (continued)

Prairie Plant Systems Inc. (May 2001)
$263,233 loans

Prairie Plant is a Saskatoon-based company involved in the innovation and delivery of new plant biotechnologies for environmental and commercial applications.

Quartus Energy Limited (May 2001)
$819,783 common shares

Quartus Energy is involved in the exploration, development and production of natural gas in and around Burstall, Saskatchewan.

R. Young Seeds Inc. (February 2003)
$227,539 loan

R. Young Seeds operates a high throughput pulse/grain crop processing and colour sorting operation. The company is located near Mortlach, Saskatchewan.

Saskcan Pulse Trading Inc. (May 2002)
$157,241 loan; $211,950 common shares

Saskcan is a Regina-based joint venture between SGGF VII and other investors. Saskcan operates North America's largest lentil splitting facility.

Tri-North Farms Limited Partnership (October 2001)
$183,322 loans

Tri-North Farms is a limited partnership established to build and operate a 1,300 sow, two-site hog multiplier facility. The company is located near Medstead, Saskatchewan.

CAJON Leasing (December 2001)
$5,446,221 loans

CAJON, located in Regina, leases vehicles and other assets to Saskatchewan Crown corporations and government-related entities.

R & R Leasing (July 2002)
$5,252,802 loans

R&R is based in Saskatoon and leases buildings, equipment and vehicles to Saskatchewan Crown corporations, other government-related entities and private enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

Background

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1999 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of SGGF VII is to invest the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Obligations to investors

SGGF VII's activities are financed by immigrant investors who have subscribed for unsecured, subordinated promissory notes ("Notes") offered through an Offering Memorandum. The interest rate for a Note is determined at the time the full subscription is received, and remains constant over the term of the Note. Obligations under the Notes are subordinate to all other liabilities of SGGF VII and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

The Notes mature five years from the date of issue. The IIP requires that the maturity date of a Note be extended if, and for so long as, less than 70% of the amount of the Note is invested in the active business operations of eligible businesses in Saskatchewan.

SGGF VII was closed to new subscription applications on March 31, 1999. During 2003, the Fund required subscribers to fully pay any outstanding subscription amounts, and subscribers who did not do so, forfeited their right to participate in the Fund.

At December 31, 2003, obligations to investors totalled $21.5 million, comprised of 86 Notes (2002 - $15.75 million; 63 Notes). During 2003, 23 Notes were issued following receipt of full subscription amounts and completion of investments in eligible businesses. Based on information available to the Fund, it is estimated that holders of five Notes have not yet received their Canadian-resident visas and therefore retain a right to rescind their Notes. Obligations to investors mature over the period from 2006 to 2008.

The IIP requires that 70% of each subscription be invested in eligible businesses within nine months of the receipt of the full subscription amount. As a result of delays in finding suitable investments in prior years, the federal regulator which oversees the IIP had extended this deadline for SGGF VII. During 2003, the Fund completed the investment of amounts received from subscribers in eligible businesses.

Interest expense includes an additional payment to investors to compensate them for the period from nine months after receipt of the full subscription amount until such amount was invested in eligible businesses.

Total interest expense on obligations to investors and subscription deposits in 2003 was $518,000 (2002 - $634,000).

Investments

The investment policy of SGGF VII reflects the requirements imposed by both the IIP and the Offering Memorandum through which Notes were offered to investors. To meet these requirements, SGGF VII has established a target initial investment allocation consisting of:

- a maximum of 30% invested in small and medium-sized enterprises ("SMEs") in Saskatchewan;
- 50% invested in loans to support infrastructure projects of the Province of Saskatchewan, and its agencies, municipalities and similar institutions; and,
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs and loans to support infrastructure qualify as "eligible businesses" for purposes of the IIP.

The following table sets out the investments of the Fund by type at December 31 in each year:

	2003			2002		
	No.	$ millions	%	No.	$ millions	%
Small and medium-sized enterprises						
Debt investments	9	3.4	17.2	7	1.7	8.1
Equity investments	4	1.7	8.2	3	1.2	5.9
Total*	10	5.1	25.4	8	2.9	14.0
Infrastructure loans	5	10.7	53.8		7.5	38.1
Cash and portfolio investments		4.1	20.8		9.5	47.9
		19.9	100.0		19.9	100.0
Provisions for losses		(0.7)			(0.1)	
Net book value		19.2			19.8	
Fair value		19.3				

*Note: The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Since its inception in 1999, SGGF VII has invested $5.5 million in 10 SME investments and $13.1 million in 5 loans to support infrastructure.

Investment and other income in 2003 totalled $1.2 million, compared with $905,000 in 2002. The increase reflects a higher average balance of investments outstanding during the year.

Provisions for losses on investments totalled $681,000 (2002 - $61,000), primarily with respect to one SME investment for which the recovery is uncertain.

Management

SGGF VII is managed by the Saskatchewan Government Growth Fund Management Corporation (SGGF MC) under a contract which provides for a management fee not to exceed 3% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan. CCPI is paid a monthly fee for its services and will receive a performance fee based on the retained earnings, if any, of SGGF VII after all investor obligations are repaid in full and all investments have been liquidated.

Administration expense for the Fund totalled $428,000 in 2003, compared with $422,000 in 2002. The total administration costs, excluding adjustments to accruals for future performance-based fees, represented 2.0% (2002 – 1.9%) of weighted average total assets.

Results of operations

During 2003, the Fund incurred a loss of $728,000, compared with a loss of $429,000 in 2002. The loss was caused by a provision for loss on a SME investment, and returns on portfolio investments and infrastructure loans which are less than the costs of administration and financing. During 2003, investment returns on weighted average total assets, before provisions for losses, were 5.7%. Provisions for losses were 3.2%, interest expense was 2.5%, and all other expenses were 3.5%.

At December 31, 2003, the Fund had an accumulated deficit of $1.4 million, compared with a deficit of $698,000 at December 31, 2002.

Outlook and risks and uncertainties

SGGF VII has now completed its fundraising and investing phase. The priority of the Fund is the management of its investment portfolio to maximize returns and to provide for liquidation of investments to satisfy the obligations to investors at maturity of their Notes. Additional investments in SMEs and loans to support infrastructure will be made only to replace investments in eligible businesses which are required to satisfy the five-year investment requirements of the IIP, to support the operations and maximize the value of existing SME investments, or to enhance the returns of the Fund.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which can represent up to 30% of the Fund's investments, provide an opportunity for higher returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the precise time that Notes mature. On the other hand, the balance of investments which consist of liquid securities and loans to finance infrastructure, are relatively low risk, but also provide low returns that reflect the lower risk exposure. Since the Fund was launched in 1999, interest rates in the general economy have decreased significantly, which has created a challenge to the Fund to earn sufficient returns to pay interest on Notes and administration costs.

Outlook and risks and uncertainties (continued)

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors are described in note 10 to the financial statements. The Fund manages these risks to the extent possible; however the factors may affect the ability of the Fund to repay its Notes at maturity. SGGF VII has no sources of financing the repayment of its Notes other than the proceeds received on liquidation of its investments.

Future accounting changes

Changes in generally accepted accounting principles which are to be implemented no later than fiscal years beginning July 1, 2004 will result in SGGF VII carrying investments in the Statement of Financial Position at fair value. The change in fair value during the year will be recognized through the Statement of Operations. The fair value of investments as at December 31, 2003 has been reported in the notes to the financial statements, and SGGF VII expects to adopt the new accounting policy in its fiscal year ending December 31, 2004.

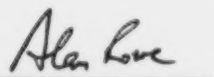
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The President and fund manager of the Saskatchewan Government Growth Fund VII Ltd. are responsible for management of the Fund. The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

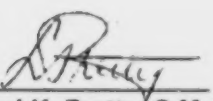
Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.



Alan M. Rowe, C.A.
President



Lori K. Pretty, C.M.A
Crown Capital Partners Inc.

February 25, 2004

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund VII Ltd.:

We have audited the consolidated statement of financial position of Saskatchewan Government Growth Fund VII Ltd. as at December 31, 2003, and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

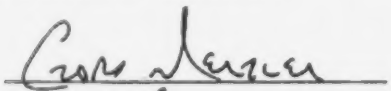
Regina, Saskatchewan
February 10, 2004

Saskatchewan Government Growth Fund VII Ltd.
(Incorporated under *The Business Corporations Act* of Saskatchewan)
Consolidated Statement of Financial Position
As at December 31

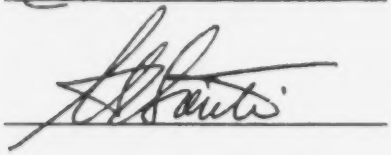
	2003	2002
Assets		
Cash	**$ 1,171,718**	$ 3,140,336
Portfolio investments (Note 4)	**2,972,297**	6,360,616
Accounts receivable and accrued income	**121,075**	153,091
Investments (Note 5)	**15,019,776**	10,271,935
Deferred costs (Note 6)	**960,049**	1,283,874
	$20,244,915	$21,209,852
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 12,023**	$ 11,911
Commissions payable	**20,000**	60,000
Accrued interest payable to investors	**-**	276,282
Subscription deposits (Note 7)	**137,983**	5,808,768
Obligations to investors (Note 8)	**21,500,000**	15,750,000
	21,670,006	21,906,961
Share capital (Note 9)	**1,000**	1,000
Deficit	**(1,426,091)**	(698,109)
	(1,425,091)	(697,109)
	$20,244,915	$21,209,852

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



Gordon Mertler
Director



Lloyd Boutilier
Director

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Operations and Deficit
For the Year Ended December 31

	2003	2002
Revenues		
Interest from cash and portfolio investments	**$ 307,040**	$ 402,688
Income from investments	**772,864**	494,462
Gain on sale of portfolio investments	**74,372**	-
Other income	**46,085**	8,313
	1,200,361	905,463
Provision for credit losses	**681,119**	60,972
Net revenue	**519,242**	844,491
Expenses		
Administration (Note 11)	**428,194**	421,520
Interest on obligations to investors	**472,894**	481,389
Interest on subscription deposits	**44,811**	152,860
Amortization of deferred costs	**301,325**	217,997
	1,247,224	1,273,766
Net loss	**(727,982)**	(429,275)
Deficit, beginning of year	**(698,109)**	(268,834)
Deficit, end of year	**$(1,426,091)**	$ (698,109)

See accompanying notes to the consolidated financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Cash Flows
For the Year Ended December 31

	2003	2002
Cash flows from operating activities		
Net loss	**$ (727,982)**	$ (429,275)
Adjustments:		
Amortization of deferred costs	**301,325**	217,997
Provision for credit losses	**681,119**	60,972
Amortization of premium and discount on bonds	**21,523**	18,931
Gain on sale of portfolio investments	**(74,372)**	-
Net change in non-cash balances related to operations (Note 12)	**(261,654)**	(56,118)
Cash flows from operating activities	**(60,041)**	(187,493)
Cash flows from investing activities		
Purchase of portfolio investments	-	(6,890,072)
Sale of portfolio investments	**3,441,168**	13,648,170
Disbursements on investments	**(6,775,262)**	(6,765,580)
Repayments of investments	**1,346,302**	1,250,636
Cash flows from investing activities	**(1,987,792)**	1,243,154
Cash flows from financing activities		
Proceeds from (repayment of) note subscriptions	**79,215**	(329,719)
Cash flows from financing activities	**79,215**	(329,719)
Net (decrease) increase in cash	**(1,968,618)**	725,942
Cash, beginning of year	**3,140,336**	2,414,394
Cash, end of year	**$1,171,718**	$ 3,140,336
Interest paid during the year	**$ 791,169**	$ 898,834

See accompanying notes to the consolidated financial statements.

Saskatchewan Government Growth Fund VII Ltd.
December 31, 2003

1. Status of the Corporation

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII") was incorporated in February 1999 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF VII was established to raise $35,000,000 through a note offering. Each note is a variable rate (1.50% to 3.50%), unsecured, subordinated debt instrument with a principal amount of $250,000, repayable in five years provided that 70% of the proceeds are invested in eligible businesses ("Notes") throughout the five year period. The marketing period for SGGF VII ended on March 31, 1999. In 2003, SGGF VII established December 31, 2003 as the date by which all subscribers must have fully paid any unpaid subscription amounts.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions that qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF VII or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Notes.

The consolidated financial statements include the accounts of SGGF VII and those of 101027596 Saskatchewan Ltd. on a proportionate basis. The only asset in 101027596 Saskatchewan Ltd. is an equity investment for which the proportionate share of SGGF VII is included in investments.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Deficit in the period in which they become known.

2. Significant accounting policies (continued)

Portfolio investments

Government of Canada Treasury Bills ("T-Bills") are valued at cost. Government of Canada Bonds ("Bonds") are valued at amortized cost.

Investments

Investments include debt and equity investments in private companies. Income from debt investments is recognized as earned and income from equity investments is recognized when received.

Debt investments are carried at cost, net of provisions for credit losses.

Provisions for credit losses are established on impaired debt instruments ("loans"). A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired include the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. A provision for specific credit losses is established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improves a provision is reduced or reversed.

Investments in equities are carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. Investments that are evaluated as possibly being subject to a loss in value are assessed periodically based on appropriate criteria, including past operating results of the investee, financial outlook of the investee, recent capital transactions, and their associated value, between the investee and arm's length parties, and liquidity or going concern problems of the investee.

When a decline in the value of an equity investment is no longer considered to be temporary, the investment is written down through a provision and is carried at the written down value until disposal of the equity investment.

During the year, generally accepted accounting principles changed to limit the situations where investee companies over which an entity has significant influence are not consolidated. SGGF VII continues to meet the requirements and therefore investments which SGGF VII intends to dispose of in due course are not consolidated.

2. Significant accounting policies (continued)

Investments (continued)

Fair values for publicly-traded securities are determined with reference to quoted closing market prices. For investments which are not publicly-traded, fair values are determined by management on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF VII's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of Note issuance.

Commissions payable

According to the terms of marketing agreements entered into by SGGF VII, a commission is payable to the independent marketing agents selling the Notes upon receipt by SGGF VII of the subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa.

Accrued interest payable to investors

SGGF VII accrues interest on its subscription deposits from the date of receipt of the full subscription amount to the date of Note issuance. Investors earn interest at a rate between a minimum of 1.50% and a maximum of 3.50% per annum. The rate is determined at the time of receipt of the full subscription amount and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid upon Note issuance.

Obligations to investors

Obligations to investors represent the Notes issued to investors of SGGF VII. Their investment helps to satisfy a portion of their visa requirements under the IIP. Interest to the maturity date of Notes is accrued at an annual rate between a minimum of 1.50% and a maximum of 3.50% from the date of Note issuance until maturity. The rate is determined at the time of subscription deposit and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid annually on December 31 and at maturity.

3. Provisions of the IIP

70% investment requirement

The terms of the IIP require that at least 70% of each subscription amount be invested in eligible businesses no later than nine months from receipt of the full subscription amount. The federal regulator responsible for the IIP, Citizenship and Immigration Canada, extended the deadline for investment of subscriptions received by SGGF VII prior to October 1, 2002, to June 30, 2003. As at December 31, 2003, all full subscription amounts have been invested in eligible businesses in accordance with the terms of the IIP.

Minimum holding period and maturity of the Notes

A Note is issued to evidence receipt of the full subscription amount on the date that at least 70% of the subscription amount has been invested in eligible businesses. Each Note is scheduled to mature five years from such date, provided SGGF VII maintains at least 70% of the Note continuously invested in the active business operations of eligible businesses for five years following the issuance date. The IIP contains provisions that require the maturity date of a Note be extended if, and for such period that, a minimum of 70% of the Note amount ceases to be invested in the active business operations of eligible businesses.

If the subscription amount has not been at least 70% invested in eligible businesses within nine months of receipt, then, for the period from nine months after receipt until a minimum of 70% of the subscription amount has been initially invested in eligible businesses, the investor receive an additional payment as compensation for the extension of the maturity date of their Note.

4. Portfolio investments

Security	Rate %	Maturity Date	Par $	**2003 Carrying Value $**	2002 Carrying Value $
Bond	5.75	1/9/06	1,888,888	**1,923,465**	1,936,040
Bond	6.00	1/9/05	987,000	**998,899**	-
Bond	6.00	1/9/05	1,920,000	-	1,956,373
Bond	5.00	1/9/04	50,000	**49,933**	-
Bond	5.00	1/9/04	1,500,000	-	1,495,313
T-Bill	2.94	4/12/03	1,000,000	-	972,890
				2,972,297	6,360,616
Fair value				**3,094,267**	6,587,356

5. Investments

	2003	2002
Debt instruments	**$14,121,011**	$ 9,153,124
Equity instruments	**1,638,006**	1,179,783
Provision for credit losses	**(739,241)**	(60,972)
	$15,019,776	$10,271,935
Fair value	**$15,040,000**	

Included in investments is $1,596,669 (2002 – $749,972) of impaired investments, against which the accumulated provision for credit losses is $739,241 (2002 - $60,972), upon which income is not accrued.

During the year, investments increased as follows:

	2003	2002
Balance, beginning of year	**$10,271,935**	$ 4,817,963
New investments	**6,775,262**	6,765,580
Book value of divestments	**(1,346,302)**	(1,250,636)
Investments and costs written off	**(2,850)**	-
Net change in provision for credit losses	**(678,269)**	(60,972)
Balance, end of year	**$15,019,776**	$10,271,935

6. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $774,813 (2002 – $473,488).

7. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon Note issuance.

8. Obligations to investors

Notes – 1.50% to 3.50% unsecured promissory notes.

The obligation at December 31 is comprised of Notes with interest rates as follows:

	2003		2002	
	Number	$	Number	$
1.50%	38	9,500,000	28	7,000,000
1.70%	1	250,000	1	250,000
1.75%	3	750,000	-	-
2.00%	5	1,250,000	4	1,000,000
1.85%	1	250,000	-	-
2.20%	4	1,000,000	4	1,000,000
2.05%	8	2,000,000	-	-
2.30%	1	250,000	1	250,000
2.40%	7	1,750,000	7	1,750,000
2.45%	2	500,000	2	500,000
2.50%	5	1,250,000	5	1,250,000
2.60%	9	2,250,000	9	2,250,000
2.80%	2	500,000	2	500,000
	86	21,500,000	63	15,750,000

The following is the schedule of Note maturities as at December 31, 2003:

2006	$ 6,750,000
2007	9,000,000
200	5,750,000
	$ 21,500,000

Obligations under the Notes are subordinate to all other liabilities of SGGF VII and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities. The Notes are irrevocable, except in the case that (i) a visa is denied, or (ii) at least 70% of the subscription amount is not invested in eligible businesses within nine months of the date of payment of the full subscription amount.

9. Share capital

The authorized common share capital of SGGF VII at December 31 is:

Common shares - an unlimited number of voting common shares. Holders of the common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2003	2002
1,000 common shares	$1,000	$1,000

10. Risk management

SGGF VII's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors may impact upon SGGF VII's ability to repay its Notes at maturity.

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which SGGF VII invests are dependent upon a single product or industry. SGGF VII manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF VII restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. SGGF VII conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that SGGF VII's earnings will be affected by fluctuations in interest rates. SGGF VII manages this risk through carefully monitoring and matching the duration of its portfolio investments and investments with the duration of its obligations to investors.

10. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that SGGF VII will encounter difficulty in liquidating its investments at the time it is required to repay Notes. Due to the nature of some of SGGF VII's investments, the timing of cash flows from its investments may not exactly match the payments owing under SGGF VII's Notes. SGGF VII carefully monitors the duration of its investments. However, timing differences may require SGGF VII to reduce or delay the payments owing on Notes at maturity.

Fair value - obligations to investors

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

11. Administration

Under the terms of a management agreement, expiring in 2009, between SGGF VII and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF VII with the assistance of a manager that performs fund administration and investment management. SGGF Management Corporation does not guarantee the financial performance of SGGF VII. All services provided to SGGF VII are charged on a fee for service basis. The costs billed to the fund by SGGF Management Corporation are as follows:

	2003	2002
Manager's fees	**$375,943**	$383,201
General administration	**30,075**	6,726
Directors' fees and expenses	**8,837**	9,843
Legal and professional	**13,339**	21,750
	$428,194	$421,520

12. Net change in non-cash balances related to operations

	2003	2002
Accounts receivable and accrued income	$ 32,016	$ 352,187
Deferred costs	22,500	(60,000)
Accounts payable and accrued liabilities	112	(152,998)
Commissions payable	(40,000)	20,000
Accrued interest payable to investors	(276,282)	(215,307)
	$(261,654)	$ (56,118)

13. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of SGGF VII. Therefore, SGGF VII is income tax exempt.

14. Related party transactions

Included in these consolidated financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 11. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms. Total fees charged to SGGF VII by SGGF Management Corporation amounted to $428,194 (2002 - $421,520). Total fees payable to SGGF Management Corporation at December 31, 2003, and included in the above, are $12,023 (2002 – $11,801).

FIVE YEAR FINANCIAL SUMMARY

Saskatchewan Government Growth Fund VII Ltd.
(in thousands of dollars)

Financial Position
As at December 31

		2003	2002	2001	2000	1999
Assets						
Cash	$	1,172	3,140	2,414	2,300	3,782
Portfolio investments		2,972	6,361	13,138	13,378	5,946
Investments		15,020	10,272	4,818	-	-
Other assets		1,081	1,437	1,947	1,217	701
Total assets	$	20,245	21,210	22,317	16,895	10,429
Liabilities and Deficit						
Obligations to investors	$	21,638	21,835	22,380	16,403	10,172
Other liabilities		32	72	205	161	126
(Deficit) equity		(1,425)	(697)	(268)	331	131
Total liabilities and deficit	$	20,245	21,210	22,317	16,895	10,429

Operating Results
For the years ended December 31

		2003	2002	2001	2000	1999
Revenues						
Investment income	$	773	494	81	-	-
Lease revenue		-	-	194	-	-
Interest from cash and portfolio investments		307	403	735	738	266
Other income		120	8	24	19	25
		1,200	905	1,034	757	291
Provision for losses on investments		681	61	-	-	-
Net revenue		519	844	1,034	757	291
Expenses						
Administration		428	422	278	220	45
Financing		819	851	1,355	337	116
Total expenses		1,247	1,273	1,633	557	161
Net (loss) income	$	(728)	(429)	(599)	200	130

CORPORATE INFORMATION

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Businessman
Regina, Saskatchewan

Darrel Cunningham
Farmer
Lintlaw, Saskatchewan

Harwood Davies
Businessman
Watrous, Saskatchewan

Roland ("Rollie") Hardy
Businessman
Regina, Saskatchewan

Gordon Mertler
Businessman
Regina, Saskatchewan

Fund Manager

Saskatchewan Government Growth Fund Management Corporation, which has retained Crown Capital Partners Inc. to provide management services.

Crown Capital Partners Inc.
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Alan M. Rowe, C.A., Partner Responsible for SGGF
Christopher J. Anderson, C.F.A., Partner
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